

Forecast of International Travelers to the United States by Top Origin Countries

Justification for Country Forecasts 2013-2018 (November 2013)

Background

This document contains factors considered by DOC/National Travel and Tourism Office (formerly NTTO) staff in developing the fall 2013 semi-annual Travel Forecast. Sharing these potential positives and negatives gives forecast users the reasoning for each country's forecast, and how the forecast might be adjusted to reflect one's own perspective on these issues. In developing these country forecasts, NTTO staff used numerous sources of information and focused mostly on "demand-side" factors, such as economic growth, unemployment, inflation, currency exchange rate, population growth, short-term air capacity change forecasts, and actual visitor volume trends. We assume "supply-side" factors, such as visa processing issues and air seat capacity will align with changes in demand. So for example, seat capacity will have to increase substantially from current levels to accommodate the increase in visitors expected from China. This document reflects a qualified listing of issues gathered from numerous sources.

Concepts used in the descriptions below

BRIC. The fast-growing developing countries of Brazil, Russia, India, and China. For our purposes here, these countries share the characteristics of having a large economy, a large population, a low GDP-to-population ratio, a high level of total outbound traveler volume, but a very low incidence of outbound travel per resident. This implies a tiny proportion of the population take the bulk of outbound trips.

Brand USA. The non-profit organization created by the Travel Promotion Act of 2009 and responsible for administering the two key mandates of increasing traveler volume to the USA and communicating US entry/exit travel requirements. The official legislative name of this organization is *The Corporation for Travel Promotion*.

CAGR. Compound Average Growth Rate. The average rate of change over the time period taking into account previous change. Thus a country growing at 5% per year over five years produces a total growth of nearly 28%, not 25%.

Currency exchange rate discussions. All discussions reflect anticipated changes in the currency exchange rate from a traveler's perspective. Thus, if the yen is appreciating, Japanese travelers get more U.S. dollar per yen, which reduces the cost of travel, all other factors remaining constant. Changes in exchange rate impacts reported traveler spending and traveler household income data, even if all other factors remain constant.

ESTA. Electronic Travel Authorization Application. A requirement for visitors from visa-waiver countries to pre-register before their visit to the USA. The current fee is \$14 per traveler and the application is valid for unlimited entries into the U.S. for 24 months.

GDP. Gross Domestic Product. The final value of goods and services produced in a country in a period of time. Often used as a measure of prosperity and thus the relative ability to travel internationally in general, and to the USA specifically. The relationship between changes in GDP and changes in travel to the USA is weak for most if not all countries.

GDP Per Capita. A country's GDP level measured in constant terms divided by a country's population. Many of the USA's top-ranked and rising-star countries of origin have large economies, but very small GDP/capita ratios, meaning the country is "wealthy," but the average citizen is "poor." Countries with low GDP per capita ratios always have a very low Outbound Traveler Index ratios, implying that wealth is concentrated in a relatively small proportion of the population, and most people don't have the financial means to travel abroad. All of the BRIC countries and many more fall into this category.

Geo-Equity. A term used within NTTO to reflect the level of geographic dispersion of travelers from a country throughout the USA. Any reference to an index reflects the number of states having a 2.0% share of travelers from that country. The greater the index, the greater the geographic dispersion and the greater the distribution of traveler spending. It is only mentioned here because geographic dispersion of TPA-induced traveler and traveler spending growth are mandated by the TPA. The 2.0% level is totally arbitrary but reflects a good trade-off between having extreme low or high index numbers that are not useful ("everyone gets a trophy" / no one gets a trophy").

OTI. Outbound Traveler Index. A country's total number of international travelers in a year divided by its population, providing a sense of outbound travel intensity. Many European countries have an index of 100% or higher, meaning that, on average, each citizen takes at least 1 trip per year. However, we assume most of any country's outbound trips are made by a relatively small proportion of persons (the "80/20" rule). For perspective, the OTI for the USA is 19%, meaning on average 19% of the population took an international trip in a year. However, the average number of international trips in a year taken by those who have traveled internationally is about 2.5 for overseas, and likely much higher for both Canada and Mexico...so, say 4 trips for all outbound. Thus, only 5% or so of the USA's population takes an international trip in a year (at best) ($19\% / 4 = 5\%$).

PPP. Purchasing Power Parity. An adjustment to gross domestic product per capita due to differences in the currency exchange rate to reflect differences in the price of a basket of identical traded goods and services across countries. In that sense for a given GDP per capita level, it tries to give a sense of whether persons "feel" richer or poorer in their own country, buying a basket of identical (or at least very similar) goods and services vis-a-vis a person with the same level in other countries.

Seat capacity. Reflects airlines' perception of the change in air travel bookings and/or manipulation of load factors of air travel from a country to the USA. Changes reflect at least four changes in demand factors: 1) demand originating from the country; 2) demand passing through the country from abroad (foreign transit); 3) demand from the country by returning USA citizens; and 4) demand through the country from returning USA citizens (resident transit).

TPA. The Travel Promotion Act of 2009. Legislation enacted in March 2010 creating the non-profit Corporation for Travel Promotion (since re-branded as "Brand USA", creating a funding mechanism, and specifying CTP mandates. Due to NTTO's methodology, any anticipated impact of the TPA cannot be isolated from other factors in this forecast.

VWP. Visa-Waiver Program. The Visa Waiver Program allows citizens of participating countries to travel to the United States without a visa for stays of 90 days or less, when they meet all requirements, which are both quantitative and qualitative based on Department of State and Department of Homeland Security assessments. Currently 37 countries participate in the program. Visitors from VWP countries are now required to complete the ESTA process (see above).

Sources

International Monetary Fund (IMF). Provides historic and semi-annual forecasted economic indicators, population, and currency exchange rate.

Pacific-Asia Travel Association (PATA). A group of 40 countries sharing a border with the Pacific Ocean. Includes USA, Canada, and Mexico.

United Nations World Tourism Organization (UNWTO). The source of all references to total outbound traveler volume from an origin country. Also provides global travel trends and forecasts. UNWTO information reflects a public-sector outlook and sentiment.

U.S. Department of Commerce; Foreign Commercial Service (USFCS). These are the department's in-country travel and tourism trade specialists who provide insights on various travel related trends and developments.

U.S. Department of Commerce; National Travel and Tourism Office (NTTO, formerly OTTI). The national travel research and policy office of the U.S. Government. The office focuses on tourism exports, and is the source of all references to monthly and annual visitor volume to the USA.

World Travel & Tourism Council (WTTC). Provides global travel trends and forecasts. WTTC information reflects a private-sector outlook and sentiment and focuses on contributions to GDP and to travel employment.

Also: Economist magazine; Economist Intelligence Unit, Business Monitor Online, Inc., Travel Marketing Insights, Inc. Travel Trade Barometer.

Comparing the fall 2013 Travel Forecast to the spring 2012 Travel Forecast

Compared to the spring 2013 forecast, the fall 2013 Travel Forecast represents a very small downward revision over the forecast period, especially in the two or three out years. The fall 2012 forecast called for a CAGR of 4.2% over five years, while the Spring 2013 forecast called for 4.0% growth over six years. This forecast reduces the 6-year CAGR to 3.9%, That is, annual growth from 2012 actual visitation through 2018 expected visitation will average 3.9%. The spring forecast called for growth for most of the top countries; the fall forecast does the same, just a different and sometimes slightly lower LEVEL of growth.

At least two factors contribute to this downward revision.

- 1) First, several important origin countries underperformed in 2012 compared to expectations and/or continue to underperform at the time of this forecast. Expectations must be lowered to match current reality.
- 2) Second, available GDP estimates for 2012 actual and forecasted 2013 and 2014 show small downward revisions for some key countries. Although change in GDP alone does not correlate well with visitor volume change in many if any top markets, it still is regarded as an influential factor in the travel forecast process.

NTTO's Travel Forecast methodology precludes the ability to isolate the individual impact of any travel factor.

Accuracy of the NTTO Travel Forecast

So, how are we doing? Well, there are numerous possible metrics to gauge the "accuracy" of the past NTTO forecasts. Which forecast? Which year? What countries? Which metrics--percent difference, percentage-point difference? And so on. Essentially, which target among many options do you want to use to gauge accuracy? For example, by the end of 2018, NTTO will have estimated a country's 2018 visitor volume a dozen times.

Since Spring 2010, and with eight notches on our travel-forecasting belt, here's what we know so far:

- 1) Our first forecasts in 2010 were too bearish, reflecting our underestimating the resiliency of the world travel market following a downward blip. Of the 40 countries on which we spend time and effort to forecast, our forecast for 2010 was too low for a large majority. Essentially, the world returned "to trend" faster than we expected.
- 2) More recently, our forecasts for 2011 and 2012 are equally split between being too low and too high across the 40 countries. That's exactly the way it should be...no fundamental biases upward or downward.
- 3) NTTO's forecast for 2012 made in the Fall of 2011 called for 5% growth, but actual volume was up 6.8%. So that's decently close. However, the auto 1-night only segment from Canada was up 35% for the year and was up 50% or more for most months beginning in June, coinciding with an increase in the duty-free limit on declared goods brought back from the USA. Without the growth from this one segment from this one country, NTTO's forecast for 2012 would have been nearly perfect.
- 4) Some countries are hopelessly challenging to forecast because there is no relationship between arrivals to the USA and any travel factor available to the forecast team. France comes to mind.
- 5) Perhaps the best value-added of the NTTO forecast is this offering of positive and negative factors potentially impacting travel to the USA. Here's what we know about a country...impacting our base forecast. If you know more or something different, you can adjust our forecast accordingly.

Visitor Origin Country (2012 Rank #)	Potential Positives	Potential Negatives
THE WORLD	<p>TRAVEL FORECAST POSITIVES: The UNWTO forecasts growth in world arrivals to average 3.3% through 2030, starting with 4.4% for 2012 and gradually declining to +2.2% by the end of the period. Growth over this forecast period should average about 3.8%. Actual growth in 2012 was +4.0% and is +5% through mid-year 2013. The World Travel & Tourism Council forecasted global arrivals growth of 2.8% in 2012 and 4% per year over the next 10 years. PATA's 2012-2014 forecast called for about 3% CAGR to the USA through 2014. The new 2013-2017 PATA forecast calls for annual growth to the USA to average just a little more than a percentage point per year through 2017 to reach 72.3M visitors, thus a significant downward revision. UNWTO-reported world travel volume growth is led by emerging markets (IMF definition), and this group of countries will account for 50% of arrivals in another year or two. Among the top <u>destination</u> countries, the highest growth rates were to the Russian Federation, Germany, and the USA. The Summer Olympics didn't seem to produce any noticeable impacts in terms of visitor cannibalization or to the host country, as U.K. arrivals remained flat (actually negative) in 2012 as they have for several years. The UNWTO Tourism Confidence Index based on input from their Panel of Tourism Experts calls for continued growth at a level similar to the recent four months. Expectations have matched actual results over the past 5 tri-annual time periods, meaning the panel has been accurate in their assessments. Among top 20 <u>outbound</u> markets, the strongest growth in outbound spending is led by China, the Russian Federation, Brazil, and Belgium. Outbound departures are available with a considerable time lag.</p>	<p>TRAVEL FORECAST NEGATIVES: Deficit-cutting by most governments will continue to lower GDP growth in developed countries by 1% point than might be otherwise. Many EU countries will emerge from a minor recession or flirt with one throughout 2013, not that it makes any meaningful difference whether a country is below or just above the line. IMF expects global unemployment to remain at 8% despite decent world GDP (accelerating) growth.</p> <p>How much of Brand USA's marketing effort is in addition to, and how much is in lieu of existing or previous USA destination marketing? Will the value of in-kind contributions be as impactful as the equivalent in cold hard cash? Outbound traveler taxes are at a high and increasing level for some countries, especially the U.K. Increasing air fares and airline fuel surcharges could bridle growth. Major sporting events in Russia (2014), Brazil (2014, 2016), and South Korea (2018) in the forecast period and beyond could cannibalize total outbound from those hosting and neighbor countries, or conversely, push local residents to escape the events. Does anyone know definitively what happened to U.K. outbound regarding the London 2012 Olympics?</p>

<p>THE WORLD (continued)</p>	<p>For USA visitation, country visitor volume records abound for 2012 (6/top 10; 12/top 20; and 70/200 countries), and momentum remains strong or growing for many countries outside of Europe, including the BRICs. The ESTA fee does not appear to be an obvious deterrent. Seat capacity is growing for many top 40 countries through 2013. Through April YTD volume is up 4% and the moving average change metrics are stable at that level or even a bit higher. Growth is led by non-EU overseas countries (+13%). EU countries as a group are down 1% and the moving averages change metrics are negative for this group but improving.</p> <p>A Brand USA marketing began in May 2012 in the Canada, Japan, and U.K. markets. Additional consumer campaigns are scheduled through 2013 to include countries that collectively generate 75% of travel to the USA. Nearly two dozen trade and/or consumer shows are scheduled through 2013 as well. The 12-month moving average of ESTA fee collections available to disburse to Brand USA is currently much HIGHER than the maximum possible match level of \$100M per the TPA. So there is potential for impactful marketing campaigns depending on industry contributions, both cash and in-kind, which is now matched 1-to-1 (no longer 2-to-1).</p> <p>The fall 2013-released IMF country-level economic indicators were stable or slightly improved for several Western Europe, Asian, and South American countries. The IMF's forecasted world GDP growth of +3.5% improves upon 2012's actual +3.2% GDP growth. As of early fall 2013, U.S. resident outbound is flat, thus changes in air capacity--up or down--likely reflects shifts among international travelers, either from the country of reporting ports of departure or from transit travelers from other countries.</p>	<p>Global GDP forecasts of +3% to +4% over the next few years is good enough for travel growth, but the devil is in the details, including a continued mismatch in growth between developed and developing countries, lessened concern for China morphing from "miracle to meltdown" and high oil prices. In the Fall of 2008, travel trends turned on a dime. The global downside risks suggest the potential for a repeat performance. Performance from several key origin countries seems strongly linked to changes in commodity import demand from China, such as Australia, Brazil, Canada, and Africa. Going into 2013, China's economic growth is inching back up to a near double-digit level.</p>
<p>Argentina (14)</p>	<p>TRAVEL FORECAST POSITIVES: The 2012 volume trounced the visitor volume record of 2000 by surging 20% over the 2011 total. Momentum favors continuing to be bullish based on the monthly moving averages; YTD volume through April is up 20% and the 24/18/12/6/3-month moving averages are trending at the same level. An April monthly decline is the first in 4 years, but likely reflects an Easter Effect, especially since March was up so strongly. Recent annual and monthly volume has been strong, at least partially buoyed by an incentive to spend resulting from a recently nationalized pension system and persistently high inflation rate coupled with a declining home currency. This situation, coupled with continued population growth, results in a potential for continued strong growth...to the world and the USA. Moreover, the unemployment rate of 7+%, while high for USA standards, is below that of much of the past two decades. Argentines love to travel, love the USA, and love to shop. Relatively inexpensive shopping in the USA may continue to offset increases in airfares and declines in the currency exchange rate and the new tax on foreign purchases. The Outbound Traveler Index is trending higher and is still only at a 16% level. The level of Dept. of State visas issues has increased at an increasing rate for a decade. Brand USA is participating in the FIT trade show 2013-11. Air seat capacity grew 1.9% in 2012 and was forecast to grow 8.9% in 2013.</p>	<p>TRAVEL FORECAST NEGATIVES: GDP slowed considerably in 2012 following two years of 9% growth. The continued high inflation rate may remain an incentive to travel and spend. But eventually, this and the declining currency may combine to be too much to offset the forecast of continued lower GDP growth over the next few years. Can 15%+ growth for many months in 2011 and 2012 be maintained in 2013 and beyond? The answer is yes so far. There is potential for 2014 World Cup and 2016 Olympics to cannibalize outbound volume if Argentines visit the games in lieu of other foreign travel. IMF forecasts an annual double-digit decline in the exchange rate throughout the forecast period. To curb capital flight, a 20% tax has been imposed on purchases of travel packages and airline tickets with a foreign currency and increased to 20% the tax on purchases made with credit and debit cards outside the country. The latter may be offset as deductions at tax time. Receptive tour operators expected at least a 10% decline in their business to the USA in 2013 due to the tax.</p>

Australia (10)	<p>TRAVEL FORECAST POSITIVES: 2012 volume was the 8th consecutive record. Growth has been impressive including a 5% gain in 2009, one of the few countries to have growth that year. 2012 actual visitation (+8%) fell short of the lofty 2011 fall forecast (+12%). The moving averages are trending downward, but still solidly positive in the +6% to +8% range. YTD volume through April is up 6%. GDP growth was maintained even in 2009 and expected to continue, buoyed by exports to China, especially the commodity-exporting north region. Slower economic growth exists in the south region. Total outbound traveler volume is at a record level and climbing. USA's share of outbound is stable at 12% or so, perhaps growing the past couple of years. Really strong growth has occurred to many Southeast Asia markets. Airline seat capacity increased 7.7% in 2012 and was expected to increase 6.3% in 2013. Airfares are stable. The currency exchange rate is currently comfortably above par, where it has been most days over the past two years. IMF expects a significant depreciation of about 20% total over the forecast period, but from a high exchange rate level (not a record). But if the economies of Europe and USA remain in the doldrums, foreign investment make seek a safer haven in Australia, keeping the dollar high. The Outbound Traveler Index shows a near-straight line increasing trend over the past 15 years to reach 35%. A Brand USA consumer marketing campaign is scheduled for December 2013.</p>	<p>TRAVEL FORECAST NEGATIVES: Concern remains for an "overly frothy" housing market. Watch for any slowdown in China commodity imports, as Australia is a key commodity exporter, especially of iron ore, for which the price per ton dropped from \$180 in 2011 to \$100 in 2012. Mining investment drove much of Australia's 3.7% GDP gain in 2012 and has doubled it's share of GDP in just a few years. This investment has slowed considerably. The country has above-average population growth, but 20% of the population are immigrants. Who are they and are they long-haul outbound travelers?</p>
Austria (34)	<p>TRAVEL FORECAST POSITIVES: Actual 2012 volume (+2%) matched the 2011 Fall forecast (2%) and fell just short of the 1999 record of 194,000. A consistent low inflation rate is expected to trend slightly lower. A low and stable unemployment rate for two decades is forecast to continue. Airline seat capacity declined 0.8% in 2012, but was forecast to jump +20% in 2013. A new non-stop flight from Vienna to Chicago was scheduled for Spring 2013. 2013 volume through April is down 3%, but the various monthly moving averages are all about +9%.</p>	<p>TRAVEL FORECAST NEGATIVES: There is little change from the last forecast. Expectations include low GDP growth coupled with a small and slow-growing population. The Euro was volatile throughout 2012 and the average for the year was 7.6% lower than the daily average for 2011. IMF forecasts a 3.1% rise in 2013, followed by small annual appreciation that, by 2018, would fully offset the 2012 decline.</p>
Bahamas, The (28)	<p>TRAVEL FORECAST POSITIVES: The 1% volume increase in 2012 matched the Fall 2011 expectation. USA is a dominant but highly variable share of total outbound. The Bahamas is either hot or cold in terms of outbound. A big 24% growth in 2009--despite a 4% decline in real GDP--was followed by a 29% decline the following year. 2013 YTD through April is down slightly, and lower than the 24/18/12/6/and 3-month moving averages which are small positive or negative. The recent volume growth coincided with a 14% increase in seat capacity. However, the capacity outlook called for a 12% decline in 2013. Some of this decline may reflect a bearish outlook on U.S. travel to and from The Bahamas. The currency is pegged to the U.S. dollar, so any change in the dollar has no impact on the cost of travel to the USA. Record volume to the USA was about 30 years ago, which makes it difficult to say whether the visitation "bar" is low, medium, or high since it was produced by a former traveling generation.</p>	<p>TRAVEL FORECAST NEGATIVES: Low GDP growth, coupled with high but declining unemployment is expected. A flat GDP/capita ratio trend has existed for more than 2 decades, but is forecast to grow over the next five years. The IMF expects a high inflation rate to continue.</p>

Belgium (25)	<p>TRAVEL FORECAST POSITIVES: Strong total outbound growth over the years results in an Outbound Traveler Index growing from 60% to 90% since 1995. Like so many countries in the region, the Belgium economy was expected to flirt with recession in 2013. The IMF expects low and slowly-increasing GDP growth over the forecast period.</p>	<p>TRAVEL FORECAST NEGATIVES: A +0% growth rate in 2012 couldn't deliver a new volume record, last set in 2008. The performance fell short of the modest 2% growth forecast set in Fall 2011. 24/18/12/6/3-month visitor volume moving averages are all flat or slightly negative. However, YTD volume through April is up 2%. A stable population means that traveler growth must come from more total outbound trips, larger party sizes, or USA's higher share of total outbound. Current outbound is near the 2008 record level, so no "easy" growth potential. The Euro was volatile throughout 2012 and the average for the year was 7.6% lower than the daily average for 2011. IMF forecasts a 3.1% rise in 2013, followed by small annual appreciation that would fully offset the 2012 decline of 8% by 2018. Air capacity declined 4.3% in 2012 and was forecast to decline another 3.7% in 2013.</p>
Brazil (6)	<p>TRAVEL FORECAST POSITIVES: 2012 actual growth (+19%) again exceeded the lofty +16% forecast expectations. The closer match compared to previous forecasts reflects both an upward trending forecast and a downward trending growth rate. The 2012 performance accompanied an economy that grew at an anemic 1% that was even below the IMF forecast of +1.5%. YTD volume through April is up 18%, in fact all the 24/18/12/6/3-month moving averages are all in the +18% to +21% range. The economy was expected to jump to +3.5% growth in 2013, but was revised downward to a +2.5% level. 50 months of consecutive months of monthly volume growth has occurred, often +20% or higher! An open-skies agreement was signed in November 2010 and is beginning to be implemented. A doubling of the Outbound Traveler Index reflects a growing middle class willing and financially able to travel abroad, but the index is currently only at 4%, which means (assuming an average of a few international trips per international traveler) that only about 1% or 2% of the population travels abroad in a given year. Stable unemployment is at historically lower levels than the past two decades. Price differentials for electronic products purchased in the USA often pays for the trip, even if the current exchange rate declines. Airline seat capacity forecasts through August call for continued strong growth of about 20% monthly. The 12-month moving average through August is 55% higher than the average across 12 months in 2009 and continues to trend in a nearly perfect straight line of 20% growth. Capacity increased 12% in 2012 and was expected to increase another 14% in 2013. American Airlines is adding frequencies to existing routes and adding new routes to several origin/destination combinations. Visa wait times have been decreased to a level of only a few days. A Brand USA consumer marketing campaign was scheduled for June and September 2013. The new 2013-2017 PATA forecast calls for annual growth of nearly 5% through 2017 to reach 2.87M in 2017.</p>	<p>TRAVEL FORECAST NEGATIVES: There is little change from the last forecast. The currency declined 14% in 2012 and is expected to decline an additional 30% over the forecast period based on the IMF's fall 2013 forecast. There is potential for major sporting event cannibalization of long-haul outbound in 2014 (World Cup) and 2016 (Summer Olympics), especially since July is 10% of annual visitors, second only to December (12%). The USA share of total outbound has stabilized at a bit higher level than the downward trend, but remains at about half the level of the mid 90s. This trend is common among many Central America and South America countries. The 44 months of consecutive year-over-year growth in air capacity is forecast to end in November, when a 4% decline is expected, followed up by a 6% decline in December. Still through August, the 12-month rolling average capacity is up 55% compared to the 12 months of 2009.</p>

<p>Canada (1)</p>	<p>TRAVEL FORECAST POSITIVES: Volume growth has occurred for most months over the past 4 years, including a strong finish to 2012 to end the year up 6.4%--exceeding the NTTO fall 2011 forecast of +5%. However, one-half of this growth is from the small 1-night only auto segment, which began growing 50% or more each month beginning in June 2012, coinciding with the increase in the duty-free exemption on declared goods brought back from the USA. Without this fantastic growth from this small travel segment, travel to the USA would have been up only 3.2% in 2012. Outbound growth to the rest of the world was also strong (+5%) in 2012, but is weaker in 2013. Government and households are in better financial condition compared to most countries. Long-term stability of finances of both is the envy of many countries. The IMF's low-to-moderate GDP growth outlook should hold up if the U.S. economy continues to maintain growth, even if only 2%, due to strong export ties. The population is growing, but like the USA, 80% of growth is through immigration. International travel incidence and patterns of this group as a whole is unknown to NTTO. The currency exchange rate has stumbled to below par at this time and is approaching the forecast period low expected by IMF through 2018. Canada was one of three origin countries included in Brand USA's significant May 2012 marketing effort (\$3M-\$4M in Canada). Qualitative feedback from THEIR travel industry suggests a positive impact on destination awareness and image, and perhaps intent to visit, but it's their job to cry, even if it's only "wolf." Moreover, an additional rollout of a consumer campaign was scheduled for February/March 2013 and again in May/June. Driving to--then flying from--USA airports is estimated at nearly 5M, of which an estimated 5% or so but increasing share travel to foreign destinations. An annual "travel intentions" survey shows an increasing share of Canadians engaged in this trend. The number of these travelers adding to the (overnight) visitor count will remain unknown for some time. One-third of travelers fly TO the USA, so this phenomenon nearly doubles the estimate of the Canadian air travelers. Air capacity grew 5.4% in 2012 and was expected to increase another 1.3% in 2013.</p>	<p>TRAVEL FORECAST NEGATIVES: Taxes and fees are pushing many travelers to USA (or abroad) to USA airports (e.g. Buffalo, Burlington, Seattle, Detroit). Often Canadian airport departure taxes and fees exceed the base air ticket. If travel from these airports is to overseas destinations, then Canadian visitation is artificially inflated to some extent, at least from a meaningful perspective. If travel is to other U.S. destinations, then the proportion of travelers arriving by air is underestimated for these destinations. There has been overcapacity and price discounting to warm weather competitors in the Caribbean due to lack of demand by American travelers, but this should have eased in 2012 and 2013 because U.S. citizen growth to the Caribbean was up nearly 7% in 2012. Thus, U.S. outbound travel affects Canada outbound travel. Industry concerns remain over border entry-exit issues and delays. Proposed visitation fees and potential changes in long-stay visa requirements are potential issues to monitor. The new 2013-2017 PATA forecast calls for zero growth from Canada from their forecasted 2013 volume to the U.S. mainland. Interestingly though, the forecast calls for 18% AAGR to Hawaii, which is analyzed separately from the mainland. This rosy outlook would increase visitor volume to Hawaii from a forecasted 637,00 in 2013 to 1.23M in 2017.</p>
<p>Chile (32)</p>	<p>TRAVEL FORECAST POSITIVES: 2012 actual visitor volume (+8%) AGAIN exceeded the 2011 Fall expectation (+7%). The closeness reflects a combination of a slowing of the growth rate and an acceleration of the growth forecast. There has been nearly four years of year-over-year monthly volume growth. 2012 visitor volume remains just below the 2000 record level. Growth can come from additional trips per population or from the 2 million larger population. From one or both options it has been happening; the Outbound Travel Index has increased from 7% to 22% since 1995. Current moderate GDP growth is expected to decelerate through 2017. Inflation is expected to continue its descent from high levels a decade ago. GDP/capita is growing quickly despite a growing population. The IMF expects a continued stable currency exchange rate. 2013 YTD visitor volume growth to the USA is 23% and trending higher based on the various monthly moving averages.</p>	<p>TRAVEL FORECAST NEGATIVES: This is similar to the last forecast. The USA share of total outbound is down by 2/3 from a decade+ ago. Air seat capacity grew 6.9% in 2012, but was expected to decline 0.4% in 2013.</p>

<p>China (7)</p>	<p>TRAVEL FORECAST POSITIVES: For the umpteenth time in a row, China's visitor volume greatly shattered expectations. China actual volume increased 35% versus the heady Fall 2011 forecast of +22%. There has been 4 years' worth of monthly growth, several near 100% increases. The various 24/18/12/6/3-month moving average are trending down slightly. 2013 YTD is up 24% through April. GDP/capita PPP is low but growing at a high rate. The currency exchange rate is a bit higher than the IMF forecast for this time. Air seat capacity is growing but at a slowing rate...actually negative for February 2013! Airline seat capacity forecasts through August call for continued growth through the end of summer, but "only" at a single digit level. The 12-month moving average through August is 93% higher than the average across 12 months in 2009. Air capacity increased 12% in 2012 and was expected to increase 17% in 2013. Air China is expanding service to several U.S. cities and non-stop from Beijing to Houston began in July, which is the first new U.S. destination for Air China in 30 years. A China/Hong Kong/Taiwan Brand USA consumer marketing campaign is scheduled for July 2013 and October/November 2013. There is much reduced talk lately of a "Miracle to Meltdown" economic slowdown scenario.</p>	<p>TRAVEL FORECAST NEGATIVES: NOTE: China-reported total outbound greatly exceeds the sum of inbound reported by individual countries (per UNWTO inbound data as of 2008). Whether the discrepancy results from reporting of day trips, or inclusion of trips to Macau and Hong Kong, or other reasons, the 100M total outbound by 2020 often stated within the industry should be used with caution.</p>
<p>China continued</p>	<p>Growth to the USA parallels growth to the world. Total outbound spending surged 40% in 2012 to make China the #1 outbound spending origin market. The 100 million outbound target often quoted for 2020 has been reset for 2015. A very high level of this traveler and spending growth is to Hong Kong and Macau. China's State Council has crafted a landmark plan to kick-start Chinese outbound tourism even further, so expect more phenomenal growth figures. It is dubbed the "Outline for National Tourism and Leisure (2013-2020)" and is a roadmap for restructuring the current paid leave system across China with an aim to encourage governmental agencies, social organizations, enterprises and public institutions to promote the use of leave days. Importantly, it also gives Chinese workers more freedom and flexibility of where and when to travel. Fully aware of this program, the new 2013-2017 PATA forecast calls for traveler volume from China to the USA to reach 3.4M in 2017, corresponding to a 17.6% AAGR. This growth rate is among the highest for PATA destination countries, especially among those with a sizable base. The bulk of PATA's additional Chinese arrivals produced are to Hong Kong, which is forecast to grow from 45M Chinese visitors to 76M.</p>	

Colombia (16)	<p>TRAVEL FORECAST POSITIVES: One of few top 20 origin markets having actual growth in real GDP and visitor volume to the USA in 2009, followed by small gains in both 2010 and 2011. The 2011 record was followed up with a strong 21% growth in 2012, shattering the modest 3% growth expectation from the 2011 fall forecast. 2013 YTD is up even higher at +29%. Recent high unemployment levels compare to an even higher historical average. Solid and consistent GDP growth is expected. The IMF expects the currency exchange rate to fall a total of 12% over the forecast period, including half of this decline in 2013 alone. Seat capacity reflects declining growth from +43% in March to +12% in July. Capacity grew 6% in 2012 and was expected to add 10% in 2013. Brand USA is scheduled to participate in the Vitrina Turistica Anato trade show 2013-03. The Outbound Traveler Index has increased, but is only at 5%. The new 2013-2017 PATA forecast calls for annual growth to average 3.6% through 2017 to reach 679K visitors.</p>	<p>TRAVEL FORECAST NEGATIVES: USA's share of total outbound used to be one-third, but is now stable at one-fifth. Strong growth has occurred on small volume bases over the past decade or so for destinations such as China, Chile and Peru. Growth has happened to most top-20 destinations except Cuba, Italy, and Aruba.</p>
Costa Rica (36)	<p>TRAVEL FORECAST POSITIVES: The 2012 volume performance (+7%) produced a new visitor record, previously set in 2000. IMF expects solid+ and slowly-increasing GDP growth through 2018. Inflation is expected to continue its descent from high levels a decade ago. The 24/18/12/6/3-month moving averages are trending higher at +6% or so, and 2013 YTD volume is 4% higher. The Outbound Traveler Index increased from 10% in 2000 to 16% recently. Air seat capacity grew 8% in 2012 and was expected to grow 2.2% in 2013.</p>	<p>TRAVEL FORECAST NEGATIVES: There has been continued slow currency depreciation. Visitation performance has been mixed over the past 41 months. The U.S. share of outbound is trending downward over the past 15 years versus increasing total outbound.</p>
Denmark (23)	<p>TRAVEL FORECAST POSITIVES: The GDP/capita metric is one of the highest of any country and increasing...a bit lower when adjusted for PPP. The currency exchange rate trend is relatively high and stable. The current USA share of outbound is on the higher side of the range over the past 20 years. There has been strong growth in total outbound, due to growth in the Outbound Traveler Index from 100% to 140% since 1995. Most of the growth in that ratio has been in the past few years. Air capacity declined 14% in 2012, but was expected to rebound 15% in 2013.</p>	<p>TRAVEL FORECAST NEGATIVES: The 2012 volume decline (-1%) fell short of the OTTO Fall 2011 forecast of +3% growth. A small and stable population means growth must continue to come from more outbound trips, a higher USA share, or larger party sizes. The 24/18/12/6/3 month moving averages are negative and trending downward. 2013 YTD volume through April is down 5%.</p>
Dominican Republic (27)	<p>TRAVEL FORECAST POSITIVES: +6% volume growth to the USA in 2012 beat the Fall 2011 forecast of +4%. YTD volume through April is down 3%. The various monthly moving averages are trending downward slightly as they get shorter in duration and have become negative. The IMF expects good GDP growth, especially when adjusted for PPP. The USA share of outbound is dominant, but has fluctuated. Air capacity grew 6.5% in 2012 and was expected to grow another 9.0% in 2013.</p>	<p>TRAVEL FORECAST NEGATIVES: The currency exchange rate is in a long-term downward trend and expected to continue. The 2012 rate was 2.4% of the level in 1980. A high unemployment rate is still lower than the historical trend. The Outbound Traveler Index is only 4% and has been steady since 1995, meaning that an even lower--very small proportion of residents take an outbound trip in any given year.</p>
Ecuador (29)	<p>TRAVEL FORECAST POSITIVES: The 2012 1% decline in visitation fell well short of the giddy 5% increase expected, but 2013 is a different story. YTD through April is up 25%, and the 24/18/12/6/3 monthly moving averages are trending upward to large numbers. There has been low consistent GDP growth, but most input data are consistent and boring in a good way. Population growth of one million is expected over five years but are they global travelers? The Outbound Traveler Index has increased from about 2% to about 7% since 1995, a performance that makes it difficult to interpret whether the increase represents new travelers and/or simply more trips by the same travelers.</p>	<p>TRAVEL FORECAST NEGATIVES: The currency is pegged to the U.S. dollar. Low growth in GDP/capita--even more so when adjusted for PPP--doesn't help support outbound travel. There has been fantastic growth rates to China and to several neighboring countries. Thus, the USA market share is in a decade+ decline...half the level of 15 years ago. Air capacity declined 6.4% in 2012, and little change was expected in 2013.</p>

<p>France (8)</p>	<p>TRAVEL FORECAST POSITIVES: There is not much to cheer about now that monthly visitation turned consistently negative beginning in June 2012. Prior to that, monthly performance sported growth for 28 of 30 consecutive past months. Like many Western Europeans, the French are stressed out and could use a travel break, but country-level and household financials are challenged to support it. Following a year-and-a half of air capacity contraction, expansion is expected during the summer months. In fact, capacity declined 6% in 2012 but was expected to regain all the lost seats in 2013. Indeed, 18 consecutive months of capacity declines has been reversed with 4 months of solid increases and growth expected to continue. The 12-month moving average versus all of 2009 is once again positive and is trending higher. That is, seat capacity is at the same level as in 2009, the low-point for many countries, but is trending higher. Brand USA plans to participate in the IFTM Top Resa travel show 2013-09.</p>	<p>TRAVEL FORECAST NEGATIVES: Following several years of head-scratching, over-achieving performances versus the forecast, visitor volume underperformed in 2012, declining 3% versus the lofty +6% growth expectation set in Fall 2011. Total traveler outbound has been flat for eight years. USA arrivals YTD through April is down 3%, and the various monthly moving averages are all solidly negative but no longer trending further downward. Unemployment will remain stubbornly high, even for France standards. The Euro was volatile throughout 2012 and the average for the year was 7.6% lower than the daily average for 2011. IMF forecasts a 3.1% rise in 2013, followed by small annual appreciation that would fully offset the 2012 decline of 8% by 2018. Airline seat capacity forecasts through August call for growth at the end of summer, which improves upon the actual declines the first three months of 2013. April's forecasted small growth would break a 17-month string of actual capacity declines. The Outbound Traveler Index rose from 30% in the 90s to 40%, but has held steady for several years. With a slowly increasing population, visitor volume growth must come from gaining market share of long-haul outbound travel. That has happened since 2005. The new 2013-2017 PATA forecast calls for very low average annual growth through 2017, but from a forecasted 2013 volume that is below that of 2011. Thus, PATA expects 2017 volume to be less than the 2011 actual level.</p>
<p>Germany (5)</p>	<p>TRAVEL FORECAST POSITIVES: 2012 actual volume (+3%) matched the 2011 Fall Forecast expectation (+3%). The unemployment rate is one of the lowest in Europe and the lowest level since 1992. Household and government debt is in good shape, especially compared to the rest of Western Europe. Brand USA marketing campaigns are planned for Nov/Dec 2013, ITB Berlin travel show 2013-03 and IMEX 2013-05. Traveler spending is approaching the 2008 record, but is unadjusted for inflation or exchange rate fluctuations. Air capacity inched up 1.2% in 2012 and is expected to increase another 1.7% in 2013. Indeed, the performance mirrors that of France, but with overall levels slightly higher. A 7-month string of capacity declines has now been met with several months of modest growth. Current 12-month average seat capacity is 3% higher than the average for 2009.</p>	<p>TRAVEL FORECAST NEGATIVES: YTD volume is down 1% and the various month moving average metrics are negative but small negative and not trending downward. Thus, the optimistic hopes of breaking the long-standing visitor volume record will have to wait, probably for at least another year. Economic growth continues to be low--but growth nevertheless. German outbound trends show strong outbound growth to value destinations of Turkey, Croatia, Egypt, and Bulgaria. A declining trend in volume to the USA is even worse to Canada. The Outbound Traveler Index is relatively high (in the mid-80s), but has held at that level for 15 years. Combined with a slowly declining population, growth to the USA must come from gaining market share of long-haul outbound. The Euro was volatile throughout 2012 and the average for the year was 7.6% lower than the daily average for 2011. IMF forecasts a 3.1% rise in 2013, followed by small annual appreciation that would fully offset the 2012 decline of 8% by 2018. Airline seat capacity forecasts through August call for growth at the end of summer, but that would only follow a string of fall 2012 and early 2013 months of decline. April's small growth broke a 17-month string of actual capacity declines. The 12-month moving average through August is only 2.5% higher than the average across 12 months in 2009 and the forecasted months calls for a stoppage to the decline trend and a flattening beginning in April or May 2013. Similar to the USA level, about 12% of German residents are immigrants. This means the population decline for the past decade would have been much greater without immigration. The questions for this forecast is, "Who are they?" "Do they travel abroad?" "What's different about their travel versus native residents?" "For example, how much of German outbound travel to Turkey is immigrant Turks visiting Turkey?" The new 2013-2017 PATA forecast calls for low average annual growth through 2017, but from a forecasted 2013 volume that is below that of 2011. The result is PATA expects 2017 volume to be less than the 2011 actual level.</p>

<p>Guatemala (30)</p>	<p>TRAVEL FORECAST POSITIVES: The 2012 performance (+6%) easily beat the fall 2011 forecast of +1%. However, 2013 YTD volume through April is down 0% and the various monthly moving averages are trending downward. The population is increasing, and the IMF expects moderate but increasing GDP growth. Air capacity declined 0.9% in 2012 but was expected to gain that back in 2013.</p>	<p>TRAVEL FORECAST NEGATIVES: GDP/capita is barely increasing despite decent GDP growth. Similar to many Central America and South America countries, the USA share of total outbound is down hugely from 40% in the late 90s to 15%. Continued small annual depreciation of the currency is forecasted by the IMF (spring 2013). 2012 visitor volume remains below 2007 record level, so there is room for "easier" growth, but total outbound growth is down, too. The Outbound Traveler Index doubled from 1995 to 2005, but only from 4% to 8% and has since declined. Thus growth to USA must come from stealing market share of total outbound, which is down.</p>
<p>India (12)</p>	<p>TRAVEL FORECAST POSITIVES: 2012 visitor volume performance (+9%) matched the strong growth forecast in the Fall 2011 to create a record for the third consecutive year, and 2013 YTD is up 14% through April. The various monthly moving average metrics are trending upward to +14%. Strong GDP growth may even exceed that of China for one or more years in the forecast period. A large middle class exists that is roughly the size of the entire U.S. population and is capable of traveling abroad. The air capacity forecast turned positive for the end of summer 2013 following many months of planned and actual contraction. Capacity change for all of 2012 is not comparable due to reporting issues. Expansion of 13% was expected for 2013. The new 2013-2017 PATA forecast calls for a 3.5% AAGR through 2017 to produce a volume level of 875,000.</p>	<p>TRAVEL FORECAST NEGATIVES: India's list of attributes is like a sine wave with a lengthy list of either positive and negative factors in alternating years or every few years. 2013 looks to shape up as one of the in-between years. There are some positive factors to create optimism for this market, but plenty of concerns.</p> <p>USA's share of the country's increasing outbound is up and down over the past decade. Large volume growth to USA is unspectacular compared to top 15 destination countries, although many are on much smaller volume bases compared to the USA. The airline capacity forecast was double-digit negative through winter 2013 but was expected to increase 13% in 2013. The Indian rupee continues its tumble and is now just 15% of its value in 1980. One may think currency is less of an issue since the vacation/leisure proportion of main trip purpose of 8% is one of the lowest of any country NTTO profiles and a high proportion may be staying with friends and relatives, but visitors from India have a high average spending-per-visitor ratio. Based on recent comparable data, it appears that air capacity is trending up but is only at a level similar to that throughout 2009.</p>
<p>Ireland (20)</p>	<p>TRAVEL FORECAST POSITIVES: GDP growth is low, but at least is forecast to rebound to a moderate level by the end of the forecast period. For those who can afford the travel, or if the economy returns to a "Celtic Tiger" strong growth mode, the USA remains the premier destination of choice. Eyes are on Ryan Air to see if they are successful in their bid to take over Aer Lingus, and if they choose to open a low-cost route(s) to the USA. The carriers are seeing some traveler intention movement for 2013; seat capacity was down 2.4% in 2012 but was expected to increase 15% in 2013. The outbound traveler index was 175% in 2007, one of the highest levels of any country, but has since dropped to under 150%. Thus, a return to a higher trip incidence coupled with a larger population could translate into a return to a total outbound growth mode. But the same question asked of other countries applies here, too...does the 14% immigrant population make long-haul trips abroad, or at least trips westward?</p>	<p>TRAVEL FORECAST NEGATIVES: 2012 marked the fourth consecutive year of visitor volume decline (-4%) and the performance fell way short of even a very modest 1% growth forecast in Fall 2011. Visitor volume has plummeted by one-third since the 2008 record of 531,000. The 24/18/12/6/3 moving averages were negative, but the more recent 6- and 3-month moving averages are now positive, due to a strong March, likely the result of an Easter effect! May's performance was also positive, but off of a huge April 2012 decline. The vast majority of monthly performances over the past 5 years are negative, often hugely so. The Euro was volatile throughout 2012 and the average for the year was 7.6% lower than the daily average for 2011. IMF forecasts a 3.1% rise in 2013, followed by small annual appreciation that would fully offset the 2012 decline of 8% by 2018. USA as a long-haul destination has strong competition from Australia and Emirates. Budget holidays by ferry to France and U.K. are popular.</p>

Israel (21)	<p>TRAVEL FORECAST POSITIVES: The IMF expects moderate and steady GDP growth over the forecast period. Monthly performances remain highly variable and switch direction and magnitude quickly, especially the March-April "Easter/Passover Effect" impact, which for this market is one of the greatest across all markets. An Open Skies agreement was signed in March 2011, but is not in force as of this update. Strong growth in total outbound reflects a growing population coupled with a large increase in the Outbound Traveler Index in the late 90s. The index has been essentially flat over the past several years.</p>	<p>TRAVEL FORECAST NEGATIVES: 2012s small positive performance (+0%) avoids the fourth consecutive year of decline, but remains a strong underperformance versus the Fall 2011 forecast of +3%. YTD volume through April is up 1% but even this small increase is misleading due to a strong "Easter Effect" boost in March, which was followed up with a 16% decline in April. The various monthly moving averages are uneven in trend, but have become all flat and a mix of positive and negative. Total outbound is increasing, but USA's share is decreasing versus a decade-plus ago, but stable over the last few years. IMF's exchange rate forecast expects the rate to remain about the same over the period, perhaps just a little bid lower. Air capacity declined 5.3% in 2012 and was expected to gain back only 0.7% in 2013.</p> <p>Note: dual citizenship potentially makes international traveler levels and change tricky to interpret from this market.</p>
Italy (11)	<p>TRAVEL FORECAST POSITIVES: Similar to France, Italy had produced head-scratching over-performing gains and record volume each of the past five years despite the lack of forecast positives. That description remains.</p>	<p>TRAVEL FORECAST NEGATIVES: Italy was pushed out of the top ten rankings in 2011 and will remain there unless there's a return to high-growth years. A declining euro and an economy in recession was too much for traveler volume to match even the modest forecast of a small increase of 3%, as actual visitation dropped 7%. Moving averages suggest there may be more declines to come as the longer-term moving averages were approaching double-digit declines, until a flat March performance and low-growth April improved the numbers. GDP growth is forecast to be small negative in 2013, and turn small positive beginning in 2014. The unemployment rate will remain high, even for Italy standards. The Euro was volatile throughout 2012 and the average for the year was 7.6% lower than the daily average for 2011. IMF forecasts a 3.1% rise in 2013, followed by small annual appreciation that would fully offset the 2012 decline of 8% by 2018. The Outbound Traveler Index increased from 30% to 50% over the past 15 years, but has been flat over the past few years. Air seat capacity declined 7% in 2012 and was expected to remain flat in 2013. Italy elections will catch the world's eyes this year due to perceived implications of the country's future relationship with the the E.U. The new 2013-2017 PATA forecast calls for a tiny negative average annual change from 2013 through 2017, but their forecasted 2013 is a decline from actual 2011 volume. Thus, PATA expects 2017 volume to the USA to decline to 523K.</p>
Jamaica (38)	<p>TRAVEL FORECAST POSITIVES: Jamaica's traveler volume increased 5% in 2012, bucking the four-year slide, and poking in the eye the NTTO forecast of -5% from Fall 2011. 2012 visitor volume remains well below the 2000 record level, so there is room for "easier" growth depending on the collection of other travel factors. And in fact growth is occurring; YTD volume is up 2% and the various monthly moving averages are all in the positive low single digits. The 12-month moving average is up 6%.</p>	<p>TRAVEL FORECAST NEGATIVES: IMF expects low GDP growth, but increasing to a level of moderate growth. Unemployment remains persistently high, but was even worse more than a decade ago. Continued currency depreciation is expected to continue off of a base that is now virtually nothing. The depreciation of the Jamaican dollar is approaching 100% since 40 years ago. Traveler volume to the USA doesn't correlate with anything, making forecasting this country's volume challenging and making the forecasts often embarrassingly wrong, such as for 2012.</p>

<p>Japan (4)</p>	<p>TRAVEL FORECAST POSITIVES: 2012 YTD performance (+14%) zoomed compared to the Fall 2011 forecast of +3%, and is similar to an upward burst from the country to the world--and this despite an economic performance that only lived up to the modest 2%+ growth expectation. 2013 YTD volume is up 4%, but the various monthly moving averages are trending downward from their double digit levels. Moreover, the performance in 2012 for the final 9 months of the year was a heady +16%, so the bar is high for the rest of the 2013 reporting months. Thus, the 2013 YTD growth over the first few months could decline quickly. IMF expects lower and declining growth beginning in 2013 due to fiscal and monetary policy already announced and begun. The Yen remains high compared to levels over the past 15 years, but was trending downward and expected to drop throughout 2013 before it plummeted 20% in a short period at the end of 2012. Japan was one of three countries to receive sizable Brand USA marketing in May 2012. A follow-up consumer marketing campaign was scheduled for March/April 2013 and again in September/October 2013. Airline seat capacity forecasts through August called for continued low monthly growth through the end of summer. Capacity increased 7.7% in 2012 and was expected to increase another 5% in 2013. This increase may reflect several factors, including a return of travel TO Japan from the USA. Japanese travelers and potential long-haul travelers have a favorable image and attitude toward the USA, which is one of their "dream" destinations for leisure travel. However, so is Italy, whose visitor volume has plummeted by 75% from a million base over the past 15 years. In summary, this important market has positives, but even then, they tend to be strongly couched or sandwiched by even more negatives.</p>	<p>TRAVEL FORECAST NEGATIVES: Despite the 2012 burst, Japan total outbound has been flat for nearly two decades. In fact, the recent outbound burst to the USA and most other countries may simply reflect an anticipation of a policy of planned yen depreciation. Outbound is down to nearly every non-Asian destination country including "dream" destinations of Italy and USA. Earthquake, tsunami, and nuclear reactor impacts were significant but were expected to be short lived on the economy and the impact on outbound travel. GDP expected to bounce back in 2012 due to reconstruction fiscal stimulus, but then decline toward longer-term low-growth scenario. Government debt, already at 220%, was increasing before the event. Japan has the oldest population of top origin markets and a declining population. Will the increasing number of retirees make long-haul trips? Recently they have been, partially absorbing the loss of outbound trips and volume by Japanese residents in their 20s and 30s. This is likely in part due to age 65 retirees gaining access to the pension system and thus boosting household income. But the Outbound Traveler Index has been stable at 12%-14% for nearly two decades. Thus, long-term recovery towards past volume levels will require a return to past outbound market shares. For the younger age groups, the proportion employed in NON-permanent jobs has grown from 20% to 50% in a short period of time. Conversely, the proportion of the workforce employed in permanent jobs has declined from 80% to 50%, meaning the relatively steady unemployment rate of 6% has increasingly become misleading as an indicator of employment health. Roughly 10% of the population travels in a year, while 5% make the bulk of the total outbound trips. This is likely little different than the ratios for most countries, including the USA. Since a recent (at least 15 year) high, the currency exchange rate has plummeted 20% ish and is expected by the Economist to continue to fall throughout 2013. The new 2013-2017 PATA forecast calls for a very small annual decline in volume (from a forecasted 2013) through 2017. Volume is expected to decline to 3.44M, up from an 3.25M actual in 2011 but down from their forecasted 3.48M for 2013. Their outlook for travel to Hawaii is even bleaker, an annual decline that averages 3% per year through 2017. China and South Korea are two exceptions among the PATA countries for which sizable increases from Japan are expected. Interestingly, Canada is expected to enjoy a sizable growth rate from Japan, but on a traveler volume base of only 250,000.</p>
<p>Korea (9)</p>	<p>TRAVEL FORECAST POSITIVES: The 2012 performance was a strong 9% growth, and even exceeded the lofty 7% growth forecast of Fall 2011. 2013 YTD volume is up 4%, and the monthly moving averages are all positive, but showing no clear trend other than uneven growth. Since late 2008 South Korea had been the most recent Visa Waiver Program entry until Taiwan's admittance into the program in 2012. The IMF expects strong and consistent GDP growth, coupled with a stable currency exchange rate. GDP/capita is growing fast, especially when measured on a PPP basis. Airline seat capacity grew 11% in 2012 and was scheduled to increase another 8% in 2013. So far that has materialized; seat capacity has grown for 41 consecutive months and growth is expected to continue. Compared to 2009, capacity is more than 40% larger and is trending higher.</p>	<p>TRAVEL FORECAST NEGATIVES: Volume is at a record level, so all growth comes from a record base. The Outbound Traveler Index has grown from 10% in the mid-90s a peak in 2007 of 27%. It's since been up and down. An export-focused economy makes Korea vulnerable to changes in global trade. The new 2013-2017 PATA forecast calls for virtually no growth through 2017 from a forecasted 2013 volume of 1.22M.</p>

Mexico (2)	TRAVEL FORECAST POSITIVES: Paralleling the Canada performance, 2012 visitor volume was up 8%, beating the Fall 2011 +4% growth forecast. The IMF expects a jump to moderate and improving real GDP growth after 2013. That's a significant revision from their last forecast. A growing population is keeping GDP/capita growth to a low level and 1/5 of the USA. In fact a Brand USA consumer marketing campaign is scheduled for June 2013 plus presence at the FITA trade show 2013-09. A reported socio-economic "super elite" group (existing of 30M persons) is not sensitive to economic conditions or exchange rate. USA likely benefits from the July 2009 policy change requiring Mexican nationals to have a visa to enter Canada. Air seat capacity grew 1.8% in 2012 and was expected to increase 6.2% in 2013. The new 2013-2017 PATA forecast calls for about 1% annual growth from this market, to reach 17.2 million in 2017.	TRAVEL FORECAST NEGATIVES: Although traveler volume increased 8% in 2012, there was the typical inconsistent and wildly fluctuating monthly performances in 2012 from this market. 2013 YTD volume is down 3% and the various monthly moving average metrics are trending lower to become negative. The peso declined more than 5% in 2012, continuing the slide as part of a decade plus-long decline. However, a revised IMF forecast calls for the 2012 decline to be fully reversed in 2013, followed by a gradual annual depreciation over the forecast period. Unemployment will remain relatively high for Mexico standards and at similar levels to those over the past five years. The outbound traveler index has increased from 9% to 14% over the past 15 years, but has been flat for several years.
Netherlands (17)	TRAVEL FORECAST POSITIVES: The outbound volume is high versus 15 years ago, but was even higher just five years ago. Thus, there is potential for near-term growth and there is room for growth just to get back to the 2008 record level. A growing GDP/capita on a PPP basis is a plus to boost travel demand. Air seat capacity declined 4.9% in 2012, but was expected to increase 3.7% in 2013.	TRAVEL FORECAST NEGATIVES: Two consecutive years of actual visitation outperforming expectations abruptly ended in 2012; visitation ended the year down 2% versus the Fall 2011 forecast of 3% growth. 2013 YTD volume is down 2%. The various monthly moving average metrics are all negative, but not trending downward. The IMF expects 2013 GDP performance to match the small decline in 2012, and expects a slow and small recovery. The Euro was volatile throughout 2012 and the average for the year was 7.6% lower than the daily average for 2011. IMF forecasts a 3.1% rise in 2013, followed by small annual appreciation that would fully offset the 2012 decline of 8% by 2018. The high 100% Outbound Traveler Index has been flat for nearly a decade. The new 2013-2017 PATA forecast calls for tiny annual declines from a 2013 volume expected to be lower than that of 2011, and thus decline to 523K in 2017.
New Zealand (33)	TRAVEL FORECAST POSITIVES: The 2012 decline is being reversed so far in 2013; volume is up 8% through April. The Outbound Traveler Index has grown steadily from 25% to 50% since 1995. Either more residents are taking international trips, or the same persons are taking more trips in a year. The currency is as high as it has been since the early 80s, but the IMF forecasts no change in 2013 followed by annual small depreciation. Solid increases in real GDP/capita growth for many years is expected to continue through the forecast period. The Outbound Traveler Index has increased from 33% to 48% over the past decade, and the trend line still slants upward.	TRAVEL FORECAST NEGATIVES: The 2012 volume performance (-2%) strongly underperformed versus the giddy 2011 fall forecast (+12%), which was revised downward over the next two semi-annual forecasts. Annual performances, monthly performance in 2012, and the 24/18/12/6/3 monthly moving averages are all uneven. Within the past 10 years annual volume change has ranged from a 24% decline to a 33% increase, which makes forecasting quite challenging. This market has a small, slow-growing population.
Norway (24)	TRAVEL FORECAST POSITIVES: 2012 actual visitor volume (+5%) basically matched the Fall forecast (+6%) to create a new volume record for the third consecutive year. 2013 volume is higher too, but by a small level. The exchange rate is high relative to much of the past decade. The economy is in good shape, a rarity for that region of the world.	TRAVEL FORECAST NEGATIVES: GDP growth is steady but at a low-to-moderate level. A small population and a low growth rate puts limits on outbound traveler volume potential, but total outbound growth has been strong since 1995, and coupled with a slowing increasing population has produced an Outbound Traveler Index that has increased from 53% in 2000 to 72% recently. Can that metric continue to increase?

Peru (31)	TRAVEL FORECAST POSITIVES: Monthly performance was uneven in 2012 but ultimately produced an 11% increase over 2011, and easily surpassed the 8% expectation from the Fall 2011 forecast. Moreover, the monthly moving average series are trending upward to a high matching the 2013 YTD growth of 24%. The IMF expects very strong GDP through the forecast period expected, low inflation, and a growing population. The Outbound Traveler Index ratio has increased from 2% to 7% since 1995, but has been flat over the past 7 years. Unless all travelers are unique in a given year, this means that only 1%-to-2% of the population travels outside the country in a given year.	TRAVEL FORECAST NEGATIVES: The USA's share of total outbound is down hugely from the late 90s, a trend similar to most Latin America countries. The IMF expects the exchange rate to reverse its decade-long appreciation.
Philippines (37)	TRAVEL FORECAST POSITIVES: 2012 actual visitor volume (+6%) exceeded the bearish Fall 2011 expectation (0%), and 2013 volume is building on that growth. YTD volume is up 10% through April and represents the high among the various monthly moving average metrics. This strong economy managed growth in 2009, super-strong growth in 2010, and IMF expects strong consistent growth through the forecast period. 21012 volume is just below 2001 record of 181,000.	TRAVEL FORECAST NEGATIVES: Outbound volume growth is super-strong to many southeast Asia countries. The USA's share of outbound traveler volume is not consistent and ranges wildly. Currency expected to discontinue a three-decade slide, and even appreciate by a small percentage. GDP per capita is growing very quickly, but from a very low, single-digit base. At the time of this writing, the country had just experienced a catastrophic typhoon, killing thousands, displacing nearly a million persons, devastating transportation networks. The UN estimates the storm impacted 11 million persons, or a tenth of the population. The impact on outbound travel will be immediate, severe, and could be long-lasting.
Russia (26)	TRAVEL FORECAST POSITIVES: The 16% 2012 growth bested a very bullish 14% Fall NTTO forecast, a result of more than three years' worth of consecutive months of year-over-year growth. 2013 volume is building on that growth; YTD volume is up 31% and is trending higher. A solid 2010 GDP recovery and forecast is led by strong commodity exports. Russians are beginning to discover US destinations as well as others. Total outbound is strong to many countries. Travel agents and tour operators are beginning to focus on the USA. The industry reports the visa process is improving. The exchange rate had been slowly increasing for a decade prior to the 2008 large depreciation. The two-year followup appreciation has since been reversed with additional declines. The IMF expects depreciation to continue throughout the forecast period. Brand USA is scheduled to participate in the MITT travel show 2013-03.	TRAVEL FORECAST NEGATIVES: A declining population means growth can only come from market share cannibalization or from an increasing Outbound Traveler Index. The 2014 Winter Olympics could cannibalize some long-haul outbound travel starting with late 2013 outbound if Russians trade a long-haul overseas trip for a special and expensive domestic trip experience.
Saudi Arabia (35)	TRAVEL FORECAST POSITIVES: Visitor volume has increased at an annual rate of at least 24% for 8 years, including 2012 (+37%). 2013 volume is up 20% through April and is trending downward from even larger numbers for the various monthly moving average metrics. Outbound to the world more than doubled in 2011 (most recent available). A fast-growing GDP per capita favors growth in outbound travel. In the last five years, only two months have had year-over-year declines. One of the highest spending per visitor ratio of any country makes this country appealing regardless of the forecast. The population is growing quickly on a 29M base.	TRAVEL FORECAST NEGATIVES: none.
Singapore (39)	TRAVEL FORECAST POSITIVES: YTD volume through April is +3%, but the 12-month moving average is +1% and trending downward. The IMF expects the economy to experience moderate and slightly increasing GDP growth. This is a reversal from the Spring forecast. The economy continues to experience a very low inflation rate. GDP/capita growth continues, even when converted to a much higher PPP basis. The 2012 average currency exchange rate was a record high; the IMF expects the currency to depreciate slightly and slowly over the forecast period. Outbound to the world is growing at a rate similar as that to the USA.	TRAVEL FORECAST NEGATIVES: 2012's volume performance (+2%) fell short of the 2011 fall forecast expectation (+6%), but more importantly, the monthly moving averages had been trending downward and now have become uneven in change. A growing population is on a small 5M base. The currency is expected to retreat from its record high in 2012 throughout the forecast period.

<p>Spain (15)</p>	<p>TRAVEL FORECAST POSITIVES: Not much to list here. Perhaps four consecutive years of visitor volume growth despite an economy that contracted over the period, a decline in the exchange rate, and an unemployment rate impacting a fourth of employable persons. There was a similar trend for total outbound to the world. This suggests outbound volume is strongly influenced by a small percentage of affluent households. But that suggestion likely holds for most countries. Brand USA marketing efforts include the EIBTM travel show 2012-11, the FITUR travel show Jan 30-Feb 3, 2013, and the EIBTM show 2013-11.</p>	<p>TRAVEL FORECAST NEGATIVES: Like France and Italy, Spain's head-scratching over-achiever performances over the past four years ended in 2012. Spain had produced four consecutive visitor volume records despite accompanying years of GDP declines or very small growth. 2012's 13% drop greatly exceeded the now heady Fall 2011 forecast of +6% growth. 2013 volume is down 0% through April. The more useful metric, 12-month moving average, is down 12% and trending upward. The Euro was volatile throughout 2012 and the average for the year was 7.6% lower than the daily average for 2011. IMF forecasts a 3.1% rise in 2013, followed by small annual appreciation that would fully offset the 2012 decline of 8% by 2018.</p> <p>The IMF expects a very low GDP annual growth rate, but that follows two years of declines. The net effect is a GDP global ranking falling from #9 to #12 over the forecast period. The population is stable. USA depression-era unemployment levels are expected to decline over five years but remain very high. The banking sector is not on a strong footing as a result of a housing bubble, one of the worst globally. The new 2013-2017 PATA forecast calls for annual volume declines to average 2%, and from a lower 2013 volume as well. Thus 2017 volume is expected to be 130,000 less than the 2011 level of 700,000.</p>
<p>Sweden (19)</p>	<p>TRAVEL FORECAST POSITIVES: Volume is reported to follow the exchange rate, which statistically is as true or truer than for most countries. Still, the relationship isn't statistically strong. The currency is strong despite slipping 4% in 2012 and forecast to appreciate in 2013, followed by very small annual depreciation over the forecast period. That's a reversal from the IMF spring forecast. Low GDP growth at the start of the forecast period is expected to improve in 2014 and hold steady through 2018. The Outbound Traveler Index was more than 100 in 1995 and increased to a peak of 173 in 2005. It since has declined to 137.</p>	<p>TRAVEL FORECAST NEGATIVES: Similar to Switzerland, the strong 2011 volume growth (+18%) set a new record, but was followed up with a lackluster 2012 that strongly underperformed versus the NTTO Fall forecast. The 2012 decline of 1% reflects a set of 24/18/12/6/3 monthly moving averages that starts at +9% and ends with -5%, i.e., really trending downward. In 2013 the change has been more uneven. YTD through April is up less than 1%, but the 12-month moving average is negative flat. The country has experienced small population growth on a small base, but has produced growth in outbound traveler volume. However, most growth is to the top 20 destination countries, especially the common list of consistent and growing competing countries of Croatia, Bulgaria, Egypt, Thailand, and China. A high unemployment rate is at a familiar level for this country. The new 2013-2017 PATA forecast calls for growth to average less than 1% per year through 2017, to reach 455,000.</p>
<p>Switzerland (18)</p>	<p>TRAVEL FORECAST POSITIVES: GDP growth is outpacing population growth, thus producing an increasing real GDP/capita ratio metric. 2012's record volume level improves upon 2011's record, which was the first since the mid-90s. Most metrics are at record (good) levels in the past two years.</p>	<p>TRAVEL FORECAST NEGATIVES: The 22% growth in 2011 broke the very long-standing previous record of visitor volume in 1996, but was followed up with a flat 2012 (+0%) that strongly underperformed versus the NTTO Fall forecast. Moreover, the 24/18/12/6/3 moving averages are now mostly low negative. In 2013 the change has been more uneven. YTD through April is down less than 1%, and the 12-month moving average is down 2%. The IMF expects continued low GDP growth. Small population growth on a small base limits growth in outbound. The currency exchange rate declined 5% in 2012 and is expected to recover from the decline slowly over the next five years, but in 2013 is only two years removed from a record level. Growth has happened to all top 20 destination countries over the past 15 years, except USA and Canada. Hot destinations are Croatia, Turkey, Germany, and Brazil as of the late '00s. The new 2013-2017 PATA forecast calls for a heady average annual growth of 13.5% through 2017. This forecast for this one country overwhelms the changes in all other countries such that the average annual growth for total Europe of 0.8% would be negative without the Switzerland bullish outlook.</p>

Taiwan Province of China (22)	<p>TRAVEL FORECAST POSITIVES: There are many positives for this country. YTD is up 23% through April. The 12-month moving average is still only +4%, but this will increase quickly over the coming months. The IMF expects strong GDP growth to resume in 2013 and beyond. A low unemployment rate should go slightly lower. The country has experienced strong growth in GDP/capita, which is always a positive change for luxury goods and services such as travel. There is strong potential just to get back to the decade-old record volume, thus the "bar is low" all other factors held constant, especially since total outbound was a record in 2011, the most recent year available. Following six months of strong monthly volume declines, volume shot up 18% in November coinciding with the start of Taiwan's entry into the Visa-Waiver Program (November 2012) and was followed up with a December increase of +34. This may be the shape of things to come, but NTTO does not expect VWP attainment to impact visitor volume much because airlines report that obtaining a visa has not been an issue for this country. For example, the November increase had been preceded by six months of large declines compared to the same month the previous year. At least, NTTO does not share the near-term doubling or tripling volume forecast touted by the industry associations. The Outbound Traveler Index (total outbound divided by population) has increased from 25% to 40% since 1995. A China/Hong Kong/Taiwan Brand USA consumer marketing campaign is scheduled for July 2013 and October/November 2013.</p>	<p>TRAVEL FORECAST NEGATIVES: The small decline in 2012 volume (-0%) didn't even meet NTTO's relatively modest 5% target set in Fall 2011. The 24/18/12/6/3 monthly performance are all negative and without a clear trending direction, but the big monthly increase in November and December coincided with the VWP start. Population is growing, but at a low rate. USA's share of total outbound has dropped from 8% in 1995 to 3% recently. The new 2013-2017 PATA forecast calls for an average annual decline of 0.5% per year through 2017. At this time of this writing, Taiwan's statistical agency just released a release showing volume to the USA declined 17% through the first nine months of 2013. Woopsie. High fares and/or other factors may be more than offsetting any advantages to travel to the USA offered by inclusion in the VWP.</p>
Trinidad and Tobago (40)	<p>TRAVEL FORECAST POSITIVES: 2012 actual visitor volume increased 9% to easily trounce the Fall 2011 travel forecast, to break a 3-year decline, and to fall just below the 2008 record of 148,000. The 24/18/12/6/3-month moving averages are in the +5% to +8% range, but with a small declining trend down to the 3-month average. 2013 YTD through April is flat negative. A declining moderate unemployment rate is expected by the IMF, as well as a stable currency exchange rate.</p>	<p>The IMF expects low but stable GDP growth over the forecast period.</p>
Turkey (41)	<p>TRAVEL FORECAST POSITIVES: 2013 YTD volume is up 15%, and the various monthly moving average metrics are mixed but up strongly. The IMF expects continued strong and consistent real GDP growth over the forecast period.</p>	<p>TRAVEL FORECAST NEGATIVES: none.</p>

<p>United Kingdom (3)</p>	<p>TRAVEL FORECAST POSITIVES: This market is one of three origin countries included in Brand USA's sizable May 2012 marketing effort. Moreover, an additional rollout of a consumer campaign was scheduled for February/March 2013, again in May/June, and yet again in September/October 2013. Impact of the 2012 Summer Olympics on U.K. outbound is now a distant memory so who cares, unless we can learn about potential impact on upcoming world mega-sporting events. The IMF has revised the real GDP outlook to reflect growth in 2013 and accelerating growth over the forecast period. A slower growing population rate means GDP/capita should increase nicely over the forecast period.</p>	<p>TRAVEL FORECAST NEGATIVES: 2012 actual volume (-2%) was even lower versus the bearish 2011 Fall expectation of only 2% growth. 2013 outbound to North America is down 5% in Jan and 14% in Feb., partially reflecting a shift to short-haul trips abroad. Total outbound is down 13 million versus the peak in 2006. The increases in the Air Passenger Duty may be having an impact. The planned additional increase for April 2014 won't help. From a survey of 1000 holiday travelers, only 28% said the increase <u>won't</u> impact their travel plans. The rest will either fly domestically, take shorter international trips, or not fly at all. 2013 USA traveler volume is down 1% through April. Economic recovery is slow and at low levels. Government and household finances are not strong; household spending in real terms has been flat for seven years...strained by rising oil prices, and real take-home pay impacted by a weaker pound and tax increases. Whether the country dips temporarily into recession or not doesn't make any difference to the average resident or resident traveler. Airline seat capacity change for 7 of 8 months in 2013 so far is negative; the 12-month moving average for August 2013 is about 1% higher than the 2009 average across 12 months, and is trending flat.</p>
<p>Venezuela (13)</p>	<p>TRAVEL FORECAST POSITIVES: What a difference a(nother) year makes; 2012 actual visitor volume (+20%) again was embarrassingly strong versus the 2011 fall expectation (+5%) producing the first visitor volume record since 2000. The 24/18/12/6/3 monthly moving averages are all in the +20% to +23% range. 30 consecutive months of strong growth, often very strong growth. The population is growing. Unemployment is stable, and now is expected to remain stable, and at rates half that of a decade ago. The new 2013-2017 PATA forecast calls for annual growth to average 4.6% through 2017.</p>	<p>TRAVEL FORECAST NEGATIVES: The currency exchange rate is on a 3-decade slide. The IMF forecasts low GDP growth over the forecast period. Annual inflation rate percentages are in the 20%+ range, but may be inducing current spending including outbound travel.</p>